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MENDOCINO FAMILY AND
YOUTH SERVICES, INCORPORATED

ANNUAL FINANCIAL REPORTS

JUNE 30, 2008 AND 2007

ROBERTSON & ASSOCIATES, CPAs
A Professional Corporation

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
ORGANIZATION
JUNE 30, 2008

The Mendocino Family and Youth Services, Incorporated, a component unit of the Mendocino County Youth Project, is a private non-profit agency. It was established during the 1979 year to promote youth services in Mendocino County by developing programs and assisting the Mendocino County Youth Project in carrying out its mandate to provide needed services to children and their families.

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>	<u>Organization</u>
David Hulse-Stephens	Interim Chair	Willits Unified School District
Lura Damiano	Member	Fort Bragg Unified School District
Damon Dickinson	Member	Mendocino County Office of Education
Katie Merz	Member	Cities of Ukiah and Willits
Lynn Zimmerman	Member	Ukiah Unified School District

EXECUTIVE DIRECTOR

Karin Wandrei

FISCAL OFFICER

Valenda Apperson

ADDRESS OF ORGANIZATION OFFICE

776 South State Street, Suite 107
Ukiah, California 95482

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mendocino Family and Youth Service, Incorporated
Ukiah, California

We have audited the accompanying statements of financial position of the Mendocino Family and Youth Service, Incorporated (Organization), a component unit of Mendocino County Youth Project, as of and for the years ended June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flow for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mendocino Family and Youth Service, Incorporated as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2009, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Robertson & Associates, CPAs

Lakeport, California
January 31, 2009

FINANCIAL SECTION

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 12,286	\$ 156,944
Accounts receivable	14,570	13,089
MCYP - note receivable	<u>111,423</u>	<u>-</u>
Total Assets	<u>\$ 138,279</u>	<u>\$ 170,033</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 20,249	\$ 1,067
Deferred revenue	<u>73,373</u>	<u>132,772</u>
Total Liabilities	<u>93,622</u>	<u>133,839</u>
Net Assets:		
Unrestricted	<u>44,657</u>	<u>36,194</u>
Total Net Assets	<u>44,657</u>	<u>36,194</u>
Total Liabilities and Net Assets	<u>\$ 138,279</u>	<u>\$ 170,033</u>

The notes to financial statements are an integral part of this statement.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

SUPPORT AND REVENUE	2008	2007
Support:		
Foundations and non-profit	\$ 53,538	\$ 38,989
Federal	150	74,815
United Way	-	40,000
Local governments	76,846	82,027
Other support	500	6,025
School districts	19,066	29,775
Total Support	<u>150,100</u>	<u>271,631</u>
Revenue:		
Fees for services	<u>6,952</u>	<u>22,412</u>
Total Revenue	<u>6,952</u>	<u>22,412</u>
Total Support and Revenue	<u>157,052</u>	<u>294,043</u>
EXPENSES		
SHARE	48,534	27,712
Child Abuse and Family Services	34,872	146,498
School services	<u>65,183</u>	<u>101,471</u>
Total Expenses	<u>148,589</u>	<u>275,681</u>
Increase in Net Assets	8,463	18,362
Net Assets - Beginning	<u>36,194</u>	<u>17,832</u>
Net Assets - Ending	<u><u>\$ 44,657</u></u>	<u><u>\$ 36,194</u></u>

The notes to financial statements are an integral part of this statement.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	SHARE	Child Abuse and Family Services	School Services	Total 2008
Salaries	\$ 33,600	\$ 22,328	\$ 34,642	\$ 90,570
Employee benefits	10,072	5,953	14,161	30,186
Supplies and activities	1,283	3,276	2,348	6,907
Contracted services and other operating expenses	3,579	3,315	14,032	20,926
Total Expenses	<u>\$ 48,534</u>	<u>\$ 34,872</u>	<u>\$ 65,183</u>	<u>\$ 148,589</u>

The notes to financial statements are an integral part of this statement.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	SHARE	Child Abuse and Family Services	School Services	Total 2007
Salaries	\$ 16,210	\$ 85,201	\$ 54,521	\$ 155,932
Employee benefits	6,989	28,195	19,472	54,656
Supplies and activities	1,351	10,457	5,438	17,246
Contracted services and other operating expenses	3,162	22,645	22,040	47,847
Total Expenses	<u>\$ 27,712</u>	<u>\$ 146,498</u>	<u>\$ 101,471</u>	<u>\$ 275,681</u>

The notes to financial statements are an integral part of this statement.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 8,463	\$ 18,362
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Accounts receivable decrease (increase)	(1,481)	11,849
MCYP - note receivable (increase)	(111,423)	-
Deficit in county treasury increase (decrease)	-	(3,720)
Accounts payable increase (decrease)	19,182	(3,619)
Deferred revenue increase (decrease)	<u>(59,399)</u>	<u>132,772</u>
Net cash provided by (used in) operating activities	(144,658)	155,644
Cash and Cash Equivalents - Beginning	<u>156,944</u>	<u>1,300</u>
Cash and Cash Equivalents - Ending	<u>\$ 12,286</u>	<u>\$ 156,944</u>
SUPPLEMENTAL DATA		
Interest Paid	<u>\$ -</u>	<u>\$ -</u>

The notes to financial statements are an integral part of this statement.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Mendocino Family and Youth Services, Incorporated (Organization), a component unit of the Mendocino County Youth Project, is a private non-profit agency. It was established during the 1979 year to promote youth services in Mendocino County by developing programs and assisting the Mendocino County Youth Project in carrying out its mandate to provide needed services to children and their families.

The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and State income taxes.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Restrictions are those that specify a use of funds or assets which is significantly more specific than the broad purpose of the Organization for which the tax-exemption has been granted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2008 and 2007, the Organization had no temporarily restricted net assets to report on its Statement of Financial Position.

Permanently restricted net assets - At June 30, 2008 and 2007 the Organization had no permanently restricted net assets.

C. Functional Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization maintains the following three main functions:

1. The Sheltering Housing Assistance in Runaway Emergency (SHARE) provides youth crisis services targeting especially but not exclusively, runaway and homeless youth and those at risk for homelessness. SHARE also provides 24-hour crisis counseling, emergency respite care in licensed homes, facilitated informal placements, street outreach, family counseling, and aftercare services.
2. The Child Abuse and Family Services Function provide individual, group and family counseling for members of families where abuse or crises have occurred. It also provides individual and couple therapy to low income adults. Fees for services are based on a sliding scale relative to individual and family incomes.
3. School Services provided at school sites include substance abuse prevention and treatment; individual, group and family counseling; conflict mediation; recreational activities and community development. Locations are Mendocino County school districts and the North Coast of Sonoma County.

D. Budgets and Budgetary Accounting

Formal budgeting integration is employed as a management control device in that the general fund budget is developed on a basis consistent with generally accepted accounting principles as approved by the Board of Directors which is updated as circumstances dictate.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Cash balances held in banks are insured up to \$100,000 (temporarily increased to \$250,000 from October 3, 2008 through December 31, 2009) by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Revenue

Cash received for Federal, State, foundation and other restricted projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Cash and Cash Equivalents		
Pooled Funds:		
Cash in County Treasury	\$ 10,986	\$ 155,644
Deposits:		
Cash on hand and in banks	<u>1,300</u>	<u>1,300</u>
Total Cash and Cash Equivalents	<u>\$ 12,286</u>	<u>\$ 156,944</u>

Cash in County Treasury

The Organization maintains substantially all of its cash in the Mendocino County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the County and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distribute to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by *California Government Code* Section 53648 et seq. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

The Treasury is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2008, the weighted average maturity of the investments contained in the Treasury investment pool was not available.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivables at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Accounts Receivable:		
Federal	\$ 1,053	\$ 2,395
County	10,951	8,163
School districts	2,566	2,178
Miscellaneous	-	353
Total Accounts Receivable	<u>\$ 14,570</u>	<u>\$ 13,089</u>

NOTE 4. DEFERRED REVENUE

Deferred revenue at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Deferred Revenue:		
Wellness Foundation	\$ 58,373	\$ 111,311
First 5	-	11,461
Eriksen Foundation	15,000	10,000
Total Deferred Revenue	<u>\$ 73,373</u>	<u>\$ 132,772</u>

MENDOCINO FAMILY AND YOUTH SERVICES, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 5. RELATED PARTY TRANSACTIONS

The Organization made temporarily loans to Mendocino County Youth Project to cover their cash flow shortfalls. The balance due from Mendocino County Youth Project at June 30, 2008 was \$111,423. In addition, included in accounts payable is \$19,667 due Mendocino County Youth Project for operating expenses.

NOTE 6. FEDERAL AND STATE ALLOWANCES, AWARDS, AND GRANTS

The Organization has received State and Federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes that any required reimbursements will not be material.

NOTE 7. CONTINGENT LIABILITIES / SUBSEQUENT EVENTS

There are no known contingent liabilities or significant subsequent events relating to the Organization.

OTHER INDEPENDENT AUDITOR'S REPORT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Mendocino Family and Youth Services, Incorporated
Ukiah, California

We have audited the financial statements of Mendocino Family and Youth Services, Incorporated (Organization), a component unit of the Mendocino County Youth Project, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 Robertson & Associates, CPAs

Lakeport, California
January 31, 2009